

An Overview of Fishing Cooperatives

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Objectives

- What is a cooperative?
- What are the benefits and drawbacks of cooperatives?
- What are some examples of successful cooperatives?

What is a cooperative?

- Cooperatives can take many forms.
 - They can include components of marketing, transportation, supply purchase, and processing capacity.
 - Members of a cooperative can increase product quality, bargaining & purchase power, market access, and ultimately profitability.

Types of cooperatives

- Two types of producer cooperatives
 - Marketing cooperatives:
 - Can be as simple as having a person call up buyers for the cooperative members, or as complicated as creating an organization that can process, store, advertise, and sell its members' product.
 - Purchasing cooperatives:
 - Reduce costs of goods, supplies, and services by pooling their members' orders to improve their negotiating position. In fisheries, it could be a good way to get cheaper fuel, bait, gear, and other necessities.

Marketing Act of 1934

- Fishermen's Collective Marketing Act of 1934
 - Allows fishermen to jointly harvest, market, and price their product without being in violation of antitrust laws.
 - A cooperative is limited to harvesters, not processors, but processing may occur once the cooperative is formed.

What cooperatives can't do

- May not make agreements with those outside the cooperative (price fixing)
- May not “unduly enhance” the price by holding back supply
- May not force agreements by refusing to sell, boycotting, picketing, or through other non competitive practices

Benefits of a cooperative

- Gaining access to new markets
 - By pooling catch, can guarantee buyers they will have the needed volume of product.
- Greater purchasing power
 - By pooling resources, members can obtain goods & services that they may not otherwise be able to afford.
 - Can also provide bulk purchasing power & improve ability to negotiate with suppliers.
 - Some processing equipment is more efficient with higher volumes.

Benefits of a cooperative

- Accountability
 - The cooperative structure gives each member-owner an equal vote with a membership that's open to everyone who meets the cooperatives' membership criteria.
 - Because of its structure, a cooperative is more likely to be held accountable to its members than other businesses.
- Community independence
 - Community based ownership keeps decision making in the hands of the producers, unlike some other business models.

Benefits of a cooperative

- Stability and risk
 - The cooperative model can provide great stability and longevity.
 - Cooperatives tend to grow more slowly than other businesses & are more likely to plan each step of development.
 - With more member-owners than other forms of business, cooperatives can reduce each member's financial risk.
- Sustainability
 - Because they're owned by producers, cooperatives have a primary interest in the sustainable development of the resource.

Benefits of a cooperative

- Strengthening community economic development
 - Producer cooperatives are typically small, locally owned businesses that spend their money in the local economy.
 - Most successful producer cooperatives offer members education & training to improve efficiency, as well as on how to improve product quality.
- Flexibility
 - While a corporate model's first objective is to make profit for its shareholders, the cooperative model can fit any business objective...from obtaining bulk goods at lower prices to processing the catch to creating more jobs to organizing the marketing of goods.

Drawbacks of a cooperative

- Need to work cooperatively
 - Cooperatives have to spend a lot of time building & maintaining consensus.
 - Many in fisheries are used to being their own bosses, so having to discuss options & make decisions jointly can be a difficult task.
- Initial shock at complicated start-up
 - Some groups become discouraged when first confronted with the complexity of starting a cooperative, filing articles of incorporation, adopting bylaws, registering with the IRS, etc.

Drawbacks of a cooperative

- Cost of start-up
 - Raising start-up capital is a problem for nearly all new businesses.
 - Many banks & some credit unions are unfamiliar with & hesitant about lending to cooperatives.
 - However, the federal government provides grants & makes loans to groups wanting to start a cooperative (most through USDA Rural Development).
- Need for professional management
 - Often, cooperative members assume they don't need professional managers & try to save money by not paying for management services.
 - But, volunteer managers may 'burn out', and the success of a cooperative, like any business, depends on its managers.

Cooperatives & limited entry

- Lack of controls on entry & harvests in open access fisheries can keep the full potential of cooperatives from being reached.
- In some fisheries, management by limited access and by quotas has allowed improved the successfulness of cooperatives.

Descriptors of cooperatives

- The following are typical characteristics:
 - Small number of participants
 - Similar history in the fishery
 - Similar historical catch patterns
 - Similar objectives
 - Similar capacity
 - High degrees of communication and coordination
 - High degrees of social familiarity among participants

Examples of cooperatives in the U.S.

- Many small cooperatives in New England with lobster industry
- Bering Sea & Aleutian Islands Crab Program
- Bering Sea & Aleutian Islands Pollock Cooperatives
- Central Gulf of Alaska Rockfish

Concluding Remarks

- Cooperatives allow members of an industry to engage in additional purchasing and marketing activities.
- Cooperatives are used in several regions of the U.S. and in agriculture as well as fisheries.
- Before starting a cooperative, one needs to consider both the benefits and drawbacks and evaluate the likelihood of success.

Questions & Comments?

- References & other sources:
 - “Catch Share Spotlight”, NOAA Fisheries Service
 - “Cooperatives in Alaska & Japan”, National Marine Fisheries Service – Northeast Fisheries Science Center
 - “Developing Cooperatives for the Alaska Seafood Industry”, Alaska Sea Grant
 - “Pacific Groundfish Trawl Rationalization”, Pacific Fishery Management Council